

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 2679 - SB 3552**

February 13, 2012

**SUMMARY OF BILL:** Creates the "farm wine permit". This permit would allow an individual who owns a commercial farm to take produce to a licensed winery to manufacture, bottle, and label wine under the name of the farm. Requires the winery to pay the state gallonage tax and any applicable federal beverage taxes. The bottled wine may be sold at retail locations and offered at complimentary tastings on the winery premises. Requires that a farm owner who attempts to manufacture wine in such manner pay a one-time nonrefundable fee of \$300 and an annual \$150 permit fee to the Alcoholic Beverage Commission (ABC).

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue - \$51,400/FY12-13/ABC Fund**

**Exceeds \$33,000/FY13-14 and Subsequent Years/ABC Fund**

**Increase State Expenditures - \$200/FY12-13/ABC Fund**

**Assumptions:**


- According to ABC, it will need \$200 to develop the licensing form for this new permit.
- It is estimated that there will be 90 permits authorized upon inception of this permit and 15 annual permits authorized the second and subsequent years.
- The first year will result in an increase in state revenue of \$40,500  $[90 \times (\$300 + \$150)]$  from permit fees.
- In the second and subsequent years, the recurring increase in state revenue from permit fees will be \$20,250  $\{[15 \times (\$300 + \$150)] + (90 \times \$150)\}$ .
- Pursuant to Tenn. Code Ann. § 57-3-302(a), the sale or distribution of wine is taxed at a rate of \$1.21 per gallon.
- The average number of gallons for which the wine tax will be levied is estimated to be 100 per permit per year.
- The first year will result in an increase in state revenue of \$10,890  $(90 \text{ permits} \times 100 \text{ gallons} \times \$1.21)$  from wine tax.
- In the second and subsequent years, the recurring increase in state revenue from wine tax will be \$12,705  $[(15 \text{ permits} \times 100 \text{ gallons} \times \$1.21) + (90 \text{ permits} \times 100 \text{ gallons} \times \$1.21)]$ .
- The total increase in state revenue to the ABC Fund for FY12-13 is estimated to be \$51,390  $(\$40,500 + \$10,890)$ .

**HB 2679 - SB 3552**

- The total recurring increase in state revenue to the ABC Fund for FY13-14 and subsequent years is estimated to exceed \$32,955 (\$20,250 + \$12,705).
- Any increase in state and local sales tax revenue is estimated to be not significant because retail sales of wine applicable to this bill will occur in lieu of retail sales of other wine products.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb